

Data Sheet

USAID Mission:	Croatia
Program Title:	Growth of a Dynamic & Competitive Private Sector
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	160-0130
Status:	Continuing
Planned FY 2005 Obligation:	\$8,235,000 AEEB
Prior Year Unobligated:	\$3,639,000 AEEB
Proposed FY 2006 Obligation:	\$5,463,000 AEEB
Year of Initial Obligation:	2001
Estimated Year of Final Obligation:	2007

Summary: The USAID economic development program has three elements, all of which focus on improving the conditions to generate private sector employment. First, USAID assists Croatian businesses, especially small and medium enterprises (SMEs), to acquire the skills, tools, financing, and services needed for them to compete in local, regional, and global markets. Second, USAID works directly with farmers, producer organizations, processors, and other market actors to raise the competitiveness of the Croatian agricultural sector in order to compete in national and international markets. Third, USAID works to improve the climate for new investment. Fourth, USAID is developing a competitive and well-regulated energy sector by strengthening the independent energy regulatory authorities and assisting the national electrical utility with its restructuring and modernization.

Inputs, Outputs, Activities:

FY 2005 Program: Improve Private Sector Growth (\$5,953,000 AEEB, \$1,560,000 AEEB carryover, \$1,514,000 AEEB prior year recoveries). USAID's new SME development activity will accelerate job creation and increase incomes by improving the performance of Croatian enterprises. These objectives will be achieved through technical assistance to business associations and business clusters that help them improve enterprise efficiency, reduce costs and improve market access. The Mission is also focusing on increasing SME access to finance by working with lending institutions to create new financing products and improving and simplifying the loan application process. A small component of this program will include policy advice to the Croatian Government in pursuing economic reform that creates an improved environment for SME development. Principal contractor: Development Alternatives Inc. Nathan Associates Joint Venture (prime).

USAID is assisting the Croatian Privatization Fund (CPF) in the implementation of the government's aggressive privatization program to divest all state ownership in companies and assets. USAID-funded advisors are assisting the CPF with monitoring and analyzing their portfolio of assets; developing company profiles and divestiture strategies for the sale of enterprises; training Croatian Privatization Fund employees in valuation methodologies; improving tendering procedures for the sale of enterprises, including the introduction of bid evaluation criteria emphasizing investment and enhanced transparency; and developing pre-privatization strategies for enterprises. Contractor: IBM (prime).

USAID intends to use a Global Development Alliance mechanism with local private sector companies and Croatian educational institutions to nurture new local software and other information technology companies. Principal implementer: TBD.

Increase Agricultural Productivity (\$1,478,000 AEEB, \$565,000 AEEB carryover). U.S. agricultural assistance will make Croatia's food products more competitive by strengthening market linkages and reducing production costs. During FY 2005 USAID will continue to focus on reducing farm-to-market transaction costs and on-farm production costs. Further program expansion among commercial farmers and producer organizations in FY 2005 is expected to lead

to developing working relationships with Croatian food processors. In addition, this year more emphasis will be placed on increasing the commercial viability of subsistence farmers located in economically distressed areas including Croatia's war-affected regions. As a result of this effort it is expected that at least 350 subsistence farmers in these areas will become sustainable commercial farmers. Principal contractor: Development Alternatives Inc. (prime).

Strengthen Financial Sector's Contribution to Economic Growth (\$268,000 AEEB). USAID will continue to target limited interventions in the financial sector, including pension, insurance, and securities markets, with a special focus on the Croatian National Bank (CNB) on its supervision and regulation of the commercial banking sector. Principal contractor: Financial Services Volunteer Corp (FSVC) (prime).

Expand and Improve Access to Economic and Social Infrastructure (\$536,000 AEEB). USAID will work with Croatia's independent energy regulatory energy commission on tariff reform and secondary energy legislation, and also assist HEP, the national electrical utility, in its efforts to unbundle its vertically-integrated operations and restructure its corporate organization. Contractors: Pierce, Atwood (Prime), Hunton and Williams (prime).

FY 2006 Program: FY 2006 resources will continue to fund several ongoing activities described above. The program components and their corresponding activities include - Increase Private Sector Growth (\$3,147,000 AEEB), SME development promoting job creation and improved business performance; Increase Agricultural Productivity (\$2,316,000 AEEB), agriculture activities focused on improving on-farm productivity and market linkages. Same implementers as above.

Performance and Results: USAID support to establish Croatia's National Competitiveness Council (NCC) has drastically broadened the participation of the private sector led labor unions in economic policy making. The NCC has recently received nationwide attention as Croatia's President, Prime Minister and other cabinet members publicly announced their commitment to implement 55 recommendations made by the NCC that will lead to economic policy and education reform to improve Croatia's national and international competitiveness. The USAID-supported Association of Management Consultants (AMC) now has a cadre of qualified business consultants to train and certify businesses in internationally-accredited standardization programs and Hazard Analysis of Critical Control Points. The demand for AMC training services has averaged approximately 175 paying participants per year for the last two years demonstrating their ability to effectively sell their services and earn revenue. USAID's efforts significantly increased the production and sales of agriculture products. Although the overall national buyoff of domestically produced milk, vegetables, and pigs in FY 2004 increased by only about 3% from 2003, producers receiving USAID direct assistance increased their total sales by more than 35%, thereby improving their competitive positions well beyond the national average. Broken out by sub-sector, USAID-assisted milk producers increased sales by 18%, vegetable producers increased sales by 50%, and pig producers increased sales by 24%. A USAID-funded pilot project with a major regional tomato and food processor resulted in a 43% drop in water usage and a 21% increase in yields, resulting in a bottom line increase in revenue of 28% to the farmer. Replication of this model to an estimated 100 commercial farmers next year is expected to generate approximately \$200,000 in additional annual revenues. This year 188 sustainable jobs were created and overall on-farm incomes increased for many others through USAID assistance programs in war-affected areas.

Privatization continued to move forward but at a slower than expected pace due to the Government of Croatia's delays in deciding to tender and sell enterprises. Notwithstanding these obstacles, USAID's assistance in the privatization process resulted in the tendering of 21 enterprises and ultimately selling seven. These sales generated approximately \$42 million in proceeds and over \$92 million in new investment commitments.

By the conclusion of these activities, USAID will generate 19,000 additional private sector jobs, increase rural incomes, and improve the competitiveness of Croatia's SME sector, particularly in

agriculture, tourism, and wood products as the country prepares for European Union accession.

US Financing in Thousands of Dollars

Croatia

160-0130 Growth of a Dynamic & Competitive Private Sector	AEEB	DCA
Through September 30, 2003		
Obligations	45,973	0
Expenditures	24,785	0
Unliquidated	21,188	0
Fiscal Year 2004		
Obligations	9,415	342
Expenditures	14,785	0
Through September 30, 2004		
Obligations	55,388	342
Expenditures	39,570	0
Unliquidated	15,818	342
Prior Year Unobligated Funds		
Obligations	3,639	0
Planned Fiscal Year 2005 NOA		
Obligations	8,235	0
Total Planned Fiscal Year 2005		
Obligations	11,874	0
Proposed Fiscal Year 2006 NOA		
Obligations	5,463	0
Future Obligations	21,093	0
Est. Total Cost	93,818	342

